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11/13

**CITY OF SAN DIEGO  
MEMORANDUM**

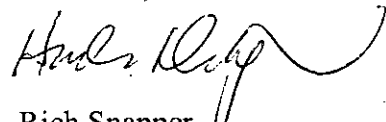
**DATE:** September 13, 2007  
**TO:** Honorable Mayor and Council  
**FROM:** Rich Snapper, Personnel Director  
**SUBJECT:** Exemption of two Assistant Investment Officer Positions from the Classified Service

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On September 6, 2007, the Civil Service Commission reviewed a request from the Retirement Administrator to exempt two Assistant Investment Officer positions from the Classified Service. These positions will work in the San Diego City Employees' Retirement System (SDCERS) Investment Division and will report to the Deputy Chief Investment Officer (Program Manager). The positions will have primary responsibility for the administration of SDCERS' investment program through the monitoring of external investment managers to ensure that investment activity and performance complies with SDCERS' Board investment policy, goals and objectives.

Charter Section 117 states that the Unclassified Service shall include "managerial employees having significant responsibilities for formulating and administering department policies and programs. Each such position shall be exempt from the Classified Service by ordinance, upon the initiation of the appropriate appointing authority and after receiving the advisory review and comment of the Civil Service Commission and approval of the City Council."

Upon review of the duties and responsibilities of these positions, the Commission finds that they meet the intent of Charter Section 117. If additional information would be of assistance in your consideration of this matter, staff is available to respond with details as necessary.

  
for Rich Snapper  
Personnel Director

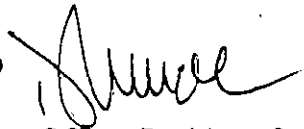
RS:PH

000011 SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM

MEMORANDUM

DATE: August 15, 2007

TO: Rich Snapper, Personnel Director

FROM: David B. Wescoe, Administrator/CEO 

SUBJECT: Request to Exempt Assistant Investment Officer Positions from the Classified Service

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The SDCERS Board of Administration requests that the Civil Service Commission exempt two (2) Assistant Investment Officer positions in SDCERS' Investment Division. These positions are required as a result of SDCERS' administrative staff reorganization that involved significant changes in duties and responsibilities of an existing, budgeted Clerical Assistant II position and our recent approval of a budgeted Assistant Investment Officer position for FY 2008.

The Assistant Investment Officers will report to the Deputy Chief Investment Officer (Program Manager) and will have primary responsibility for the day-to-day administration of SDCERS' investment program through the monitoring of external investment managers to ensure that investment activity and performance complies with SDCERS' Board investment policy, goals and objectives. These positions will have, among other things, the authority to direct cash movements and "wire-out" transfers from SDCERS' Custodial Bank when required to meet "capital calls" for property escrow closings and to raise cash for monthly benefit payroll and SDCERS' operating expenses. Because SDCERS' investment portfolio has no allocation to cash, raising cash requires analyzing various investment accounts to identify sources from which cash may be prudently withdrawn. Directing the transfer of funds and initiating wires from the Custodial Bank is the result. Typical fund and/or wire transfers range between \$1,000,000 and \$40,000,000. The potential consequence of failure to timely and accurately manage cash transfers and initiate wires results in delayed processing of month-end benefit payments to retirees and penalties to the Trust in terms of overdraft fees that adversely impact the overall investment return. The potential consequence of error associated with these responsibilities is system-wide and beyond the scope of positions within the Classified Service.

Additionally, classification of these positions as Assistant Investment Officer will bring higher level, professional investment expertise to SDCERS. These positions will require the Chartered Financial Analyst (CFA) designation or candidacy in the CFA exam program, and/or advanced degrees in Finance or closely related fields to hire and/or progress through the position's salary range. In the dynamic and competitive investment field, SDCERS must be able to compete for and retain highly skilled investment professionals. The Unclassified Service provides a more appropriate salary range for this level of responsibility and also recognizes the criticality of being able to expeditiously terminate an individual should conditions warrant such action.

ATTACHMENT A

**000012**

Rich Snapper  
Exempt Assistant Investment Officer Positions  
August 15, 2007  
Page 2

SDCERS' Board of Administration recently delegated additional policy monitoring responsibilities and authority to Investment Division staff for the suspension/termination of external investment managers. These two positions will have primary responsibility for recommending actions, management changes, etc., that would warrant suspension/termination of investment managers, and will participate in the identification of candidate firms, and recommend replacement investment managers to SDCERS' Board. A revised organization chart and SDCERS' Board Agenda item are attached for your reference.

The scope of duties for these positions is consistent with Charter Section 117, which states that the Unclassified Service shall include "managerial employees having significant responsibilities for formulating and administering Department policies and programs. Each such position shall be exempt from the Classified Service by ordinances, upon the initiation of the appropriate appointing authority and after receiving advisory review and comment of the Civil Service Commission and the approval of the City Council."

If you have any questions, please contact me at 525-3620.

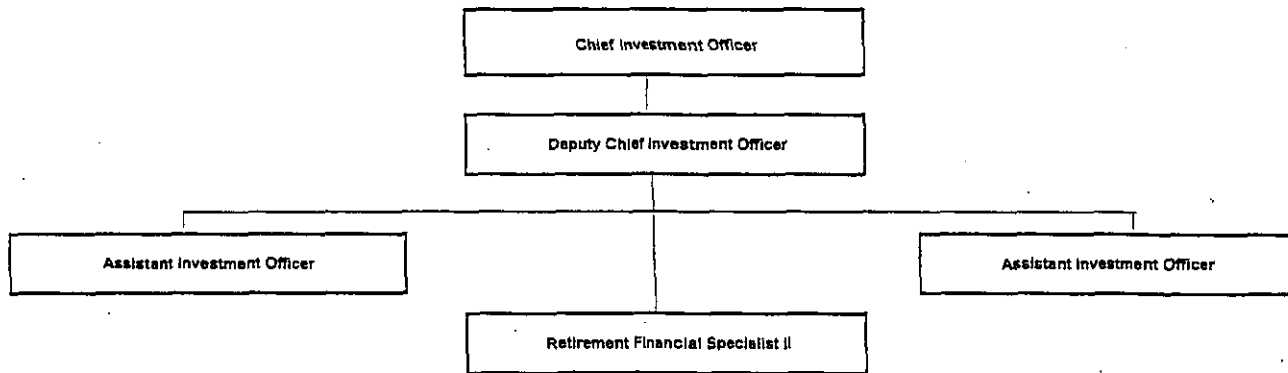
Attachments: 1. Organization Chart  
2. SDCERS' Board Agenda excerpt

cc: Doug McCalla, SDCERS' Chief Investment Officer  
Dawne Clark, SDCERS' Deputy Chief Investment Officer  
Pamela Hightower, Personnel Department Classification Supervisor

**ATTACHMENT A**

000013

SDCERS' INVESTMENT DIVISION ORGANIZATIONAL CHART



ATTACHMENT A

000015

an investment consultant discussing operational hurdles to the effective implementation of policy at public plans. Page 16 of the article specifically addresses the issue of selecting and termination asset managers. Also attached are samples of draft or actual policy statements from a number of public pension plans covering a range of authority delegation to staff.

The MOSERS policy places primary responsibility to hire and fire money managers with the CIO, subject to the approval of the external investment consultant. Recent legislation introduced in the State of Maryland identifies the CIO as responsible for the hiring and termination of asset managers (pg. 5, lines 9-18). SDCERA is beginning the process of reviewing draft policy language that would delegate the responsibility for selecting asset managers to staff. LACERA has delegated to staff the authority to approve investment commitments in real estate co-investment pools with existing managers, up to a limit of \$50 million. Lastly, another fund has delegated the authority to select all investment related service providers to the agency's staff.

An effective policy structure should include checks and balances to improve the operational efficiency of the policy setting and policy implementing process. For example, in several of the above policy samples, staff was delegated the authority to select managers and it appears the trustees retained the responsibility for terminating firms.

In order to initiate discussion on this topic, the following policy structure is suggested for the delegation of asset manager selection and/or termination at SDCERS.

Publicly Traded Securities Portfolios – Staff is delegated the authority to select an asset manager for an allocations of up to 5% of total fund assets. The selection process shall consist of staff and the investment consultant specifying the criteria for the search, which must be consistent with the asset allocation strategy approved by the Board. The search process shall be documented, due diligence of potential finalist candidates must be performed and interviews of finalists conducted. The investment consultant must approve the firm selected. A firm selected must pass an on-site review of their operations prior to contracting with SDCERS. Staff must obtain Investment Committee or Board approval for the termination of a manager for performance reasons.

Private Assets (Real Estate and/or Private Equity) Co-Investments – Staff is delegated the authority to commit up to 1% of total fund assets to co-investment opportunities managed by firms that have had a successful asset management relationship with SDCERS within the last two years. Such commitments must be consistent with the strategic plan approved by the Board for the asset class. The commitments shall be subject to the completion of appropriate due diligence, interviews, review of legal documents and approval by the appropriate investment consultant. Commitments to firms not having a recent track record of managing SDCERS assets must also be reviewed and approved by the Investment Committee. Staff must obtain Investment Committee or Board approval for the reduction in commitment to or the termination of a manager for performance reasons.

**APPENDIX M****INVESTMENT AUTHORITY DELEGATED BY THE BOARD OF ADMINISTRATION****Staff Authority****A. Administrative Termination of Investment Manager for Cause**

The Board delegates to staff the authority to immediately suspend the trading activity of an investment manager and /or to administratively terminate an investment manager under the following circumstances:

1. Significant losses or departures of a firm's investment professionals responsible for the conduct and management of the investment process.
2. Significant violations of a firm's specific investment guidelines for SDCERS or significant sanctions imposed on a firm for breach of law or regulatory requirements and standards.
3. Discovery of material misrepresentations concerning a firm's expertise, experience, track record or other operational factors that call into question the firm's ability to consistently and reliably deliver the investment service desired by SDCERS.

Staff shall notify the Investment Committee Chairperson and Board President regarding the circumstances warranting the suspension of a firm's trading activity and obtain the concurrence of both of these Board Officers prior to exercising an administrative termination. The Board shall be informed by its next regularly scheduled meeting of the circumstances leading to staff's action and what interim fiduciary oversight has been arranged to manage the impacted portfolio.

000017

CITY OF SAN DIEGO  
MEMORANDUM

DATE: September 13, 2007

TO: Honorable Mayor and Council

FROM: Rich Snapper, Personnel Director

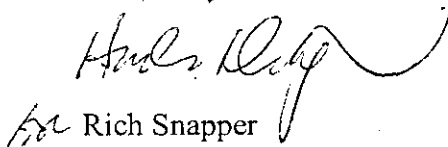
SUBJECT: Exemption of two Assistant Investment Officer Positions from the Classified Service

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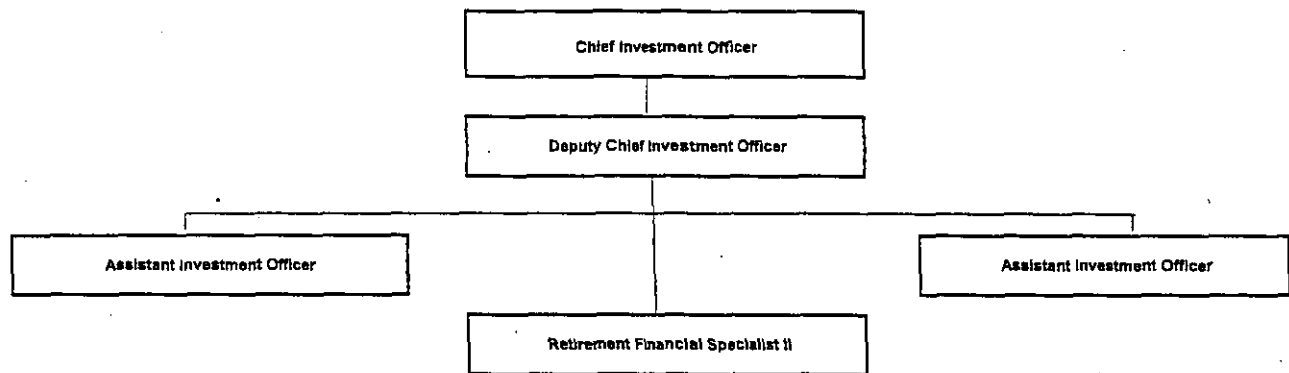
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Personnel Director

RS:PH

000019

SDCERS' INVESTMENT DIVISION ORGANIZATIONAL CHART





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000023

# REQUEST FOR COUNCIL ACTION

CITY OF SAN DIEGO

1. CERTIFICATE NUMBER  
(FOR AUDITOR'S USE)50  
11/13TO:  
CITY ATTORNEY2. FROM (ORIGINATING DEPARTMENT):  
San Diego City Employees' Retirement System3. DATE:  
9/20/2007

## 4. SUBJECT:

Request to Exempt 2 Assistant Investment Officer Positions from Classified to Unclassified Service

5. PRIMARY CONTACT (NAME, PHONE &amp; MAIL STA.)

Doug McCalla x53636 MS 840

6. SECONDARY CONTACT (NAME, PHONE &amp; MAIL STA.)

Sheila Jacobs x53633 MS 840

7. CHECK BOX IF REPORT TO  
COUNCIL IS ATTACHED ☐

## 8. COMPLETE FOR ACCOUNTING PURPOSES

FUND					9. ADDITIONAL INFORMATION / ESTIMATED COST:
DEPT.	088				Budgeted
ORGANIZATION	106				
OBJECT ACCOUNT					
JOB ORDER					
C.I.P. NUMBER					
AMOUNT					

## 10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT	<i>[Signature]</i>	9-20-07	8	DEPUTY CHIEF		
2	PERSONNEL	<i>[Signature]</i>	9-26-07	9	COO		
3	FM			10	CITY ATTORNEY	<i>Stephen H. Swett</i>	10/3/07
4	LIAISON OFFICE			11	ORIGINATING DEPARTMENT	<i>[Signature]</i>	9-20-07
5					DOCKET COORD: _____	COUNCIL LIAISON: _____	
6					<input checked="" type="checkbox"/> COUNCIL PRESIDENT	<input type="checkbox"/> SPOB	<input checked="" type="checkbox"/> CONSENT <input type="checkbox"/> ADOPTION
7					<i>[Signature]</i>	<input type="checkbox"/> REFER TO: _____	COUNCIL DATE: 10/16/07

## 11. PREPARATION OF:

☐ RESOLUTION(S)☒ ORDINANCE(S)☐ AGREEMENT(S)☐ DEED(S)

Approving an Exemption of 2 positions from Classified to Unclassified Service, as approved by the Civil Service Commission on September 6, 2007.

## 11A. STAFF RECOMMENDATIONS:

Approve the Ordinance

## 12. SPECIAL CONDITIONS:

COUNCIL DISTRICT(S): N/A

COMMUNITY AREA(S): N/A

ENVIRONMENTAL IMPACT: N/A

HOUSING IMPACT: N/A

OTHER ISSUES: N/A

**000024****DOCKET SUPPORTING INFORMATION  
CITY OF SAN DIEGO**

DATE:

9/20/2007

**SUBJECT:**

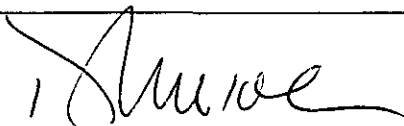
Request to Exempt 2 Assistant Investment Officer Positions from Classified to Unclassified Service

**BACKGROUND:**

On September 6 2007, the Civil Service Commission reviewed a request from the Retirement Administrator to exempt two Assistant Investment Officer positions from the classified to unclassified service. These positions will work in the San Diego City Employees' Retirement System, Investment Division and will report to the Deputy Chief Investment Officer (Program Manager). The positions will have primary responsibility for the administration of SDCERS' investment program through the monitoring of external investment managers to ensure that investment activity and performance complies with SDCERS' Board Investment Policy, Goals and Objectives.

BY LINE: (CITY MANAGER / DEPT. HEAD / AUTHOR INITIALS)

SIGNATURES:



ORIGINATING DEPT. HEAD

CITY MANAGER  
(FOR MANAGERIAL DEPARTMENTS ONLY)

ORDINANCE NUMBER O-\_\_\_\_\_ (NEW SERIES)

DATE OF FINAL PASSAGE \_\_\_\_\_

AN ORDINANCE EXEMPTING TWO POSITIONS OF  
ASSISTANT INVESTMENT OFFICER FOR THE SAN DIEGO  
CITY EMPLOYEES' RETIREMENT SYSTEM FROM THE  
CLASSIFIED SERVICE.

WHEREAS, on September 6, 2007, the Civil Service Commission reviewed a request of the San Diego City Employees' Retirement System to exempt two Assistant Investment Officer positions from the classified service; and

WHEREAS, these positions will have primary responsibility for the administration of SDCERS' investment program through the monitoring of external investment managers to ensure that investment activity and performance complies with SDCERS' Board Investment Policy, Goals and Objectives as outlined in the Memorandum dated August 15, 2007, to the Personnel Director from David B. Wescoe, Administrator (CEO), attached hereto as Attachment A; and

WHEREAS, the Civil Service Commission has reviewed the justification for the positions and has commented favorably thereon in its memo to the Mayor and Council dated September 13, 2007; NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. That pursuant to section 117(a)17 of the City Charter, after having been reviewed and commented upon favorably by the Civil Service Commission on September 6, 2007, as meeting the Charter criterion for exemption from the classified service, and after having considered and reviewed the Report thereon from the Civil Service Commission to the Mayor and City Council dated September 13, 2007, attached hereto as Attachment B, the positions of

Assistant Investment Officer for the Retirement System be and are hereby exempted from the classified service and declared to be in the unclassified service of the City of San Diego.

Section 2. That a reading of this ordinance is dispensed with prior to its final passage, a written or printed copy having been available to the City Council and the public a day prior to its final passage.

Section 3. This ordinance shall take effect and be in force on the thirtieth day from and after its passage.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By Stuart H. Swett  
Stuart H. Swett  
Senior Deputy City Attorney

SHS:jab  
10/03/2007  
Or.Dept:Retirement  
O-2008-37

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of \_\_\_\_\_.

ELIZABETH S. MALAND  
City Clerk

By \_\_\_\_\_  
Deputy City Clerk

Approved: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor